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[Posted: April 23, 2025 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is up 2.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 3.5%. Chinese markets were mixed, with the Shanghai Composite down 0.1% from its previous close and the Shenzhen Composite up 0.8%. US equity index futures are signaling a higher open.

With 91 companies having reported so far, S&P 500 earnings for Q1 are running at \$60.10 per share compared to estimates of \$60.75, which is up 7.3% from Q1 2024. Of the companies that have reported thus far, 76.9% have exceeded expectations, while 19.8% have fallen short of expectations.

The Confluence macro team publishes a plethora of research reports and multimedia offerings on a weekly and quarterly basis, all available on our [website](#). We highlight recent publications below with new items of the day in bold. **Note: the next *Bi-Weekly Geopolitical Report* will be published on 4/28/25.**

Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
“Growing Fragility in the US Bloc” (4/7/25) + podcast	“From Magnificent 7 to European Revival” (4/14/25) + podcast	Q2 2025 Report	Keller Quarterly

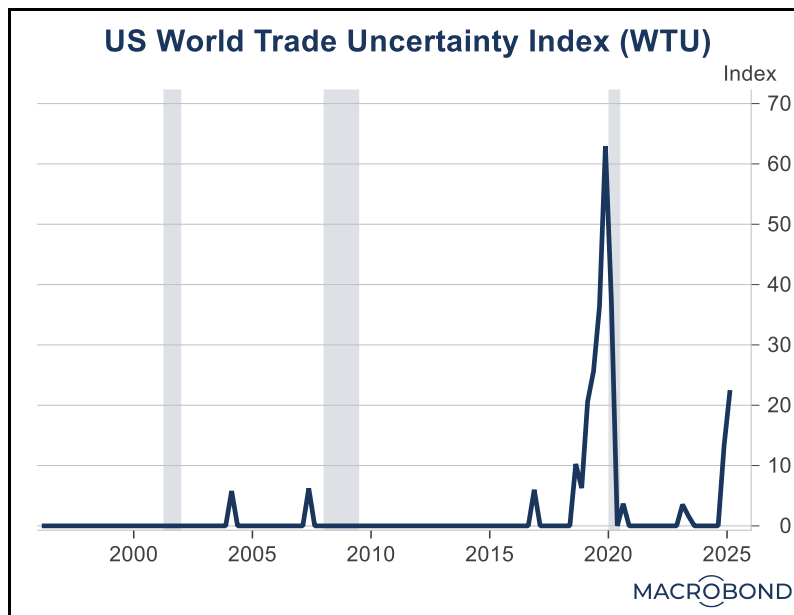
Good morning! Investors are closely tracking the president's latest remarks on trade policy and a flurry of earnings reports. In sports, the Lakers evened their playoff series with a decisive win over the Timberwolves. Today’s *Comment* will examine softening trade tensions, renewed debates about Fed independence, and other market-moving developments, along with our regular roundup of international and domestic economic data.

Ease in Trade Tensions: Growing hopes that the US will secure trade agreements with key partners have boosted market optimism, but businesses increasingly worry about rising costs.

- Speaking at a JP Morgan investor conference, [Treasury Secretary Scott Bessent predicted that the US and China will ultimately settle their trade standoff](#), citing the punishing tariffs — as high as 145% on Chinese imports and 125% on American goods — that now

function as *de facto* trade barriers. He warned that sustaining such extreme measures would harm both economies, making their rollback not just likely but inevitable. Despite his confidence, he admitted that there were no talks between the two sides at the moment.

- Bessent’s openness to trade talks with China was warmly received by markets, offering hope after fears that the world’s two largest economies were headed for a prolonged standoff. Later in the day, [President Trump echoed a conciliatory tone](#), stating he does not intend to "play hardball" with China and expects tariff rates to drop significantly from their current highs to more sustainable levels.



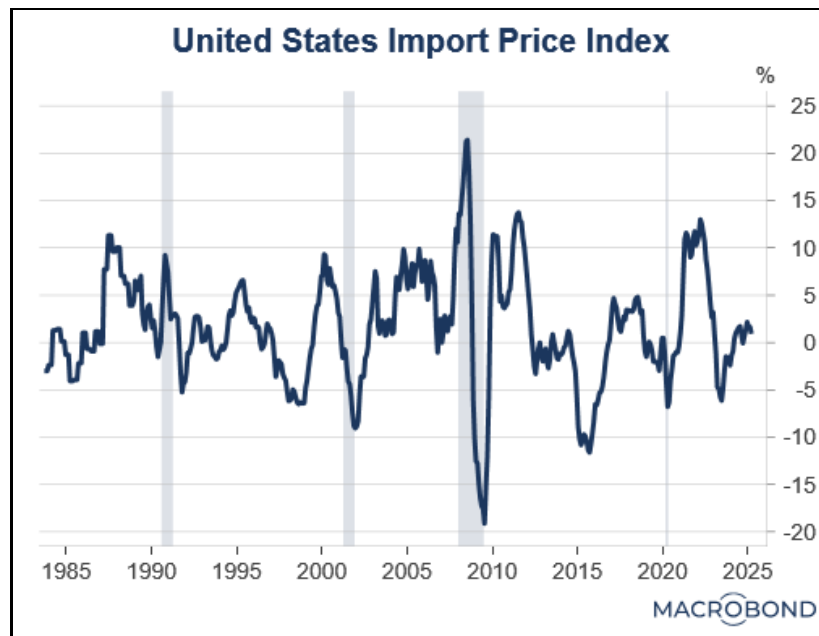
- Prospects of de-escalating trade tensions could provide a much-needed boost to market optimism, following growing alarm from corporate America about tariff impacts. [US aerospace and defense manufacturers](#) have warned that tariffs would significantly increase production costs. Meanwhile, electric vehicle pioneer Tesla, [while relatively insulated from the broader tariff effects](#), expressed particular concern about potential changes to import duties on [Chinese-sourced lithium iron phosphate \(LFP\) batteries](#).
- While the potential easing of trade tensions may provide support for equities, significant uncertainty remains about how existing tariffs will affect corporate performance moving forward. Consequently, we will be closely monitoring upcoming earnings reports for insights into how companies are adapting to these pricing pressures. In the interim, it may be prudent to maintain a defensive portfolio stance until markets gain clearer visibility on what constitutes the “new normal” in this trade environment.

Fed Independence Stays: President Trump has retreated from his earlier suggestion to dismiss Fed Chair Jerome Powell, though he maintains his position that interest rates should be reduced.

- The [president reversed course Tuesday on his threats to fire Federal Reserve Chair Jerome Powell](#). Powell had previously warned that rising tariffs could fuel inflation, even as he resisted pressure to cut interest rates amid economic concerns. The apparent shift

reflects mounting administration fears that undermining the Fed’s independence could further destabilize financial markets, which are already shaken by ongoing trade tensions.

- The president's reversal follows increasing calls from Fed officials advocating patience as tariffs ripple through the economy. On Tuesday, Richmond Fed President Thomas Barkin [struck an optimistic tone about economic growth while warning of potential stagflation risks](#) — a key reason he supports maintaining current interest rates. Meanwhile, Fed Governor Adriana Kugler [echoed similar concerns about the inflationary impact of tariffs](#) during her public remarks.



- Understanding the inflationary impact of tariffs requires monitoring the import price index, which reveals the cost of imports before tariffs are levied. Therefore, a continuous decrease in import prices would imply that foreign sellers are absorbing the tariff costs, which should soften the impact of the levies for their respective US buyers. However, if the index remains stable or rises, it could mean that US firms may be forced to push tariff costs on to consumers or accept lower profit margins.
- Growing confidence that the White House will respect Federal Reserve independence is expected to bolster demand for US Treasuries, which would be a timely development as the government seeks to finance widening fiscal deficits. This renewed appetite should prove particularly valuable for today’s five-year note auction, where foreign investors typically account for roughly 60% of total demand. A strong auction result would be viewed as favorable by the market.

Ukraine-Russia Progress: The White House has delivered its “final” peace proposal to Moscow and Kyiv as both sides weigh concessions to end the war.

- The [White House's new peace proposal includes several significant concessions](#) to Russia including formal US recognition of Crimea as Russian territory, de facto acceptance of

Russian-controlled territories seized since 2022, and a complete lifting of sanctions imposed since 2014. The deal would also guarantee Ukraine's exclusion from NATO membership while establishing a new US-Russia economic partnerships in energy and industrial sectors.

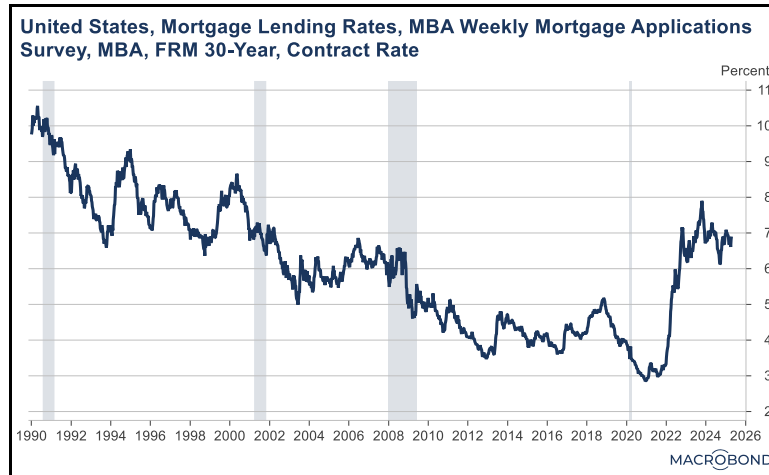
- Under the proposed arrangement, Ukraine would receive robust security guarantees featuring peacekeeping forces from European and allied nations, along with the return of Russian-occupied territories in Kharkiv Oblast. The deal ensures free navigation rights along the Dnieper River and includes comprehensive reconstruction assistance, combining international funding with compensation mechanisms.
- Following the latest proposals — and amid reports that the US could withdraw from negotiations — both sides have made concessions to salvage a potential deal. Russian President Vladimir Putin has signaled his willingness to halt military operations along the current frontlines, while Ukrainian President Volodymyr Zelensky has shown new [openness to talks, marking a significant shift in posture](#) after signs of deadlock.
- While an immediate agreement remains unlikely, recent developments suggest a peace deal could materialize in the coming weeks. European equities stand to benefit most from a resolution, as an end to hostilities, coupled with the potential return of Russian energy supplies to global markets, would alleviate key economic pressures across the region.

Global Response to Tariffs: As nations engage in trade negotiations with the United States, growing uncertainty threatens to dampen global economic growth.

- New Delhi is showing a renewed flexibility in its ongoing trade negotiations with the US. A notable concession under consideration by the world's most populous nation involves [the elimination of tariffs on luxury vehicles and auto components](#), a move intended to strengthen bilateral trade ties. This development is unfolding alongside persistent US pressure on India to lower e-commerce barriers that currently [impede market access for American retail leaders such as Amazon and Walmart](#).
- Recent PMI data reveals growing concern among business leaders about US tariffs, with the latest index reading hovering just above 50.1, barely surpassing the threshold for economic expansion. This persistent lack of confidence suggests that the region remains wary about future growth prospects as trade tensions escalate.
- Despite escalating trade tensions and protracted negotiations, the [IMF maintains its forecast that the global economy will avoid recession](#). While the institution has downgraded its worldwide growth projections — including a significant reduction in its US outlook from 2.8% to 1.8% — it remains cautiously optimistic about continued expansion. If this outlook holds, it could foster increased risk appetite in financial markets heading into year-end.

US Economic Releases

The Mortgage Bankers Association today announced that *mortgage applications* in the week ended April 19 fell by 12.7%, following the previous week’s decline of 8.5%. Applications for home purchase mortgages fell 6.6%, while applications for refinancing mortgages plunged 20.0%. According to the report, the average interest rate on a 30-year mortgage rose 9 basis points to 6.90%. The chart below shows how mortgage rates have changed over the last several decades.



The following table lists the releases and/or Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
9:45	S&P Global US Manufacturing PMI	m/m	Apr P	49.0	50.2	***
9:45	S&P Global US Services PMI	m/m	Apr P	52.8	54.4	***
9:45	S&P Global US Composite PMI	m/m	Apr P	52.2	53.5	***
10:00	New Home Sales	m/m	Mar	685k	676k	***
10:00	New Home Sales MoM	m/m	Mar	1.3%	1.8%	**
	Building Permits	m/m	Mar F		1482k	**
Federal Reserve						
EST	Speaker or Event	District or Position				
9:00	Austan Goolsbee Gives Opening Remarks	President of the Federal Reserve Bank of Chicago				
9:30	Alberto Musalem Gives Opening Remarks	President of the Federal Reserve Bank of St. Louis				
9:35	Christopher Waller Gives Opening Remarks	Member of the Board of Governors				
14:35	Alberto Musalem Gives Informal Closing Remarks	President of the Federal Reserve Bank of St. Louis				
14:00	U.S. Federal Reserve Releases Beige Book	Federal Reserve Board				
18:30	Beth Hammack Speaks on Balance Sheet	President of the Federal Reserve Bank of Cleveland				
	Adriana Kugler Gives Bried Introductory Remarks	Member of the Board of Governors				

Foreign Economic News

We monitor numerous global economic indicators on a continuous basis. The most significant international news that was released overnight is outlined below. Not all releases are equally

significant, thus we have created a star rating to convey to our readers the importance of the various indicators. The rating column below is a three-star scale of importance, with one star being the least important and three stars being the most important. We note that these ratings do change over time as economic circumstances change. Additionally, for ease of reading, we have also color-coded the market impact section, which indicates the effect on the foreign market. Red indicates a concerning development, yellow indicates an emerging trend that we are following closely for possible complications, and green indicates neutral conditions. We will add a paragraph below if any development merits further explanation.

Country	Indicator			Current	Prior	Expected	Rating	Market Impact
ASIA-PACIFIC								
Japan	Jibun bank Composite PMI	m/m	Apr P	51.1	48.9		*	Equity and bond neutral
	Jibun Bank Manufacturing PMI	m/m	Apr P	48.5	48.4		***	Equity and bond neutral
	Jibun Bank Services PMI	m/m	Apr P	52.2	50.0		**	Equity and bond neutral
	Tertiary Industry Index	m/m	Feb	0.00%	1.40%	0.40%	***	Equity and bond neutral
Australia	S&P Global Australia Composite PMI	m/m	Apr P	51.4	51.6		*	Equity and bond neutral
	S&P Global Australia Manufacturing	m/m	Apr P	51.7	52.1		*	Equity and bond neutral
	S&P Global Australia Services PMI	m/m	Apr P	51.4	51.6		*	Equity and bond neutral
South Korea	Consumer Confidence	m/m	Apr	93.8	93.4		*	Equity and bond neutral
India	HSBC India PMI Mfg	m/m	Apr P	58.4	58.1		***	Equity and bond neutral
	HSBC India PMI Composite	m/m	Apr P	60.0	59.5		**	Equity and bond neutral
	HSBC India PMI Services	m/m	Apr P	59.1	58.5		**	Equity and bond neutral
EUROPE								
Eurozone	HCOB Eurozone Manufacturing PMI	m/m	Apr P	48.7	48.6	47.5	***	Equity bullish, bond bearish
	HCOB Eurozone Services PMI	m/m	Apr P	49.7	51.0	50.5	**	Equity bearish, bond bullish
	HCOB Eurozone Composite PMI	m/m	Apr P	50.1	50.9	50.3	*	Equity and bond neutral
	Consumer Confidence	m/m	Apr P	-16.7	-14.5	-15.1	**	Equity bearish, bond bullish
	Construction Output	y/y	Feb	0.2%	0.1%		*	Equity and bond neutral
	Trade Balance SA	m/m	Feb	21.0b	14.4b	15.0b	**	Equity and bond neutral
Germany	HCOB Germany Manufacturing PMI	m/m	Apr P	48.0	48.3	47.6	***	Equity and bond neutral
	HCOB Germany Services PMI	m/m	Apr P	48.8	50.9	50.3	**	Equity bearish, bond bullish
	HCOB Germany Composite PMI	m/m	Apr P	49.7	51.3	50.5	**	Equity bearish, bond bullish
France	HCOB France Manufacturing PMI	m/m	Apr P	48.2	48.5	47.9	***	Equity and bond neutral
	HCOB France Services PMI	m/m	Apr P	46.8	47.9	47.6	**	Equity bearish, bond bullish
	HCOB France Composite PMI	m/m	Apr P	47.3	48.0	47.8	**	Equity and bond neutral
UK	Public Finances (PSNCR)	m/m	Mar	2.7b	6.4b		*	Equity and bond neutral
	Public Sector Net Borrowing	m/m	Mar	16.4b	12.3b	15.8b	*	Equity and bond neutral
	PSNB ex Banking Groups	m/m	Mar	16.4b	12.3b		**	Equity and bond neutral
	S&P Global UK Composite PMI	m/m	Apr P	48.2	51.5	50.4	**	Equity bearish, bond bullish
	S&P Global UK Manufacturing PMI	m/m	Apr P	44.0	44.9	44.0	***	Equity and bond neutral
	S&P Global UK Services PMI	m/m	Apr P	48.9	52.5	51.5	**	Equity bearish, bond bullish
AMERICAS								
Canada	Industrial Product Price	m/m	Mar	0.5%	0.6%	0.3%	**	Equity and bond neutral
	Raw Material Prices	m/m	Mar	-1.0%	0.3%	0.1%	*	Equity bearish, bond bullish
Mexico	Retail Sales	y/y	Feb	-1.1%	2.7%	-0.1%	***	Equity bearish, bond bullish

Financial Markets

The table below highlights some of the indicators that we follow daily. Again, the color coding is similar to the foreign news description above. We will add a paragraph below if a certain move merits further explanation.

Fixed Income	Today	Prior	Change	Trend
3-mo T-bill yield (bps)	420	421	-1	Up
U.S. Sibor/OIS spread (bps)	428	429	-1	Down
U.S. Libor/OIS spread (bps)	427	427	0	Down
10-yr T-note (%)	4.30	4.40	-0.10	Up
Euribor/OIS spread (bps)	219	218	1	Down
Currencies	Direction			
Dollar	Up			Down
Euro	Down			Up
Yen	Up			Up
Pound	Down			Up
Franc	Down			Up

Commodity Markets

The commodity section below shows some of the commodity prices and their change from the prior trading day, with commentary on the cause of the change highlighted in the last column.

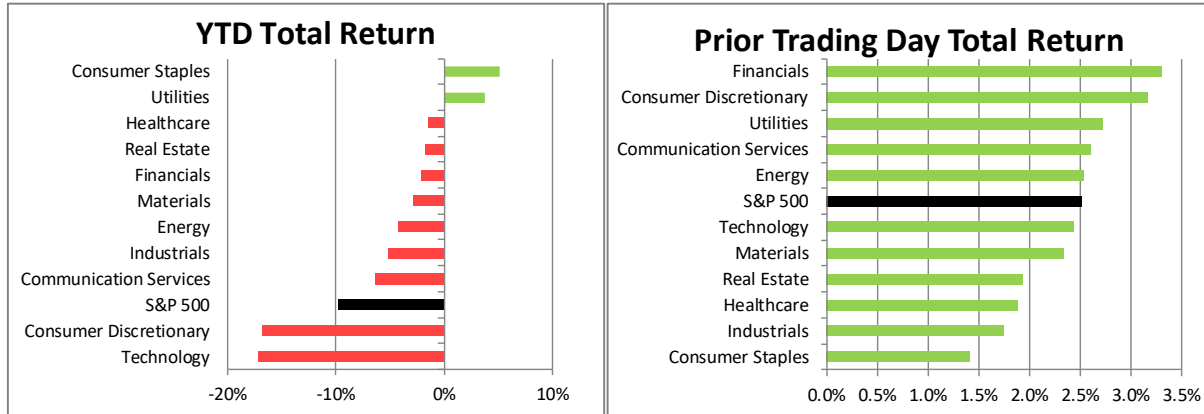
	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$67.97	\$67.44	0.79%	
WTI	\$64.21	\$63.67	0.85%	
Natural Gas	\$3.03	\$3.01	0.83%	
Crack Spread	\$24.42	\$24.69	-1.12%	
12-mo strip crack	\$21.62	\$21.62	-0.03%	
Ethanol rack	\$1.88	\$1.88	-0.21%	
Metals				
Gold	\$3,335.00	\$3,380.63	-1.35%	
Silver	\$32.97	\$32.51	1.41%	
Copper contract	\$497.30	\$492.80	0.91%	
Grains				
Corn contract	\$481.75	\$483.25	-0.31%	
Wheat contract	\$548.75	\$550.25	-0.27%	
Soybeans contract	\$1,052.00	\$1,046.00	0.57%	
Shipping				
Baltic Dry Freight	1,261	1,261	0	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		1.55		
Gasoline (mb)		-1.40		
Distillates (mb)		-0.65		
Refinery run rates (%)		0.8%		
Natural gas (bcf)		70		

Weather

The 6-to-10 and 8-to-14-day forecasts currently call for warmer-than-normal temperatures throughout the entire country except for the border regions of Arizona, New Mexico, and western Texas, where temperatures will be cooler than normal. The forecasts are calling for wetter-than-normal conditions in the Great Plains, the Mississippi Valley, and the Midwest, with dry conditions in northern California.

Data Section

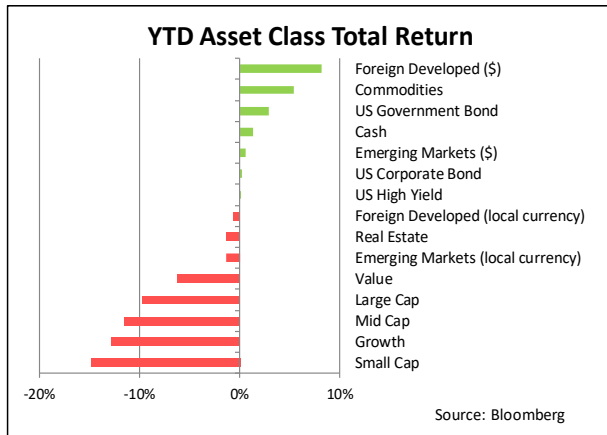
US Equity Markets – (as of 4/22/2025 close)



(Source: Bloomberg)

These S&P 500 and sector return charts are designed to provide the reader with an easy overview of the year-to-date and prior trading day total return. Sectors are ranked by total return; green indicating positive and red indicating negative return, along with the overall S&P 500 in black. These charts represent the new sectors following the 2018 sector reconfiguration.

Asset Class Performance – (as of 4/22/2025 close)

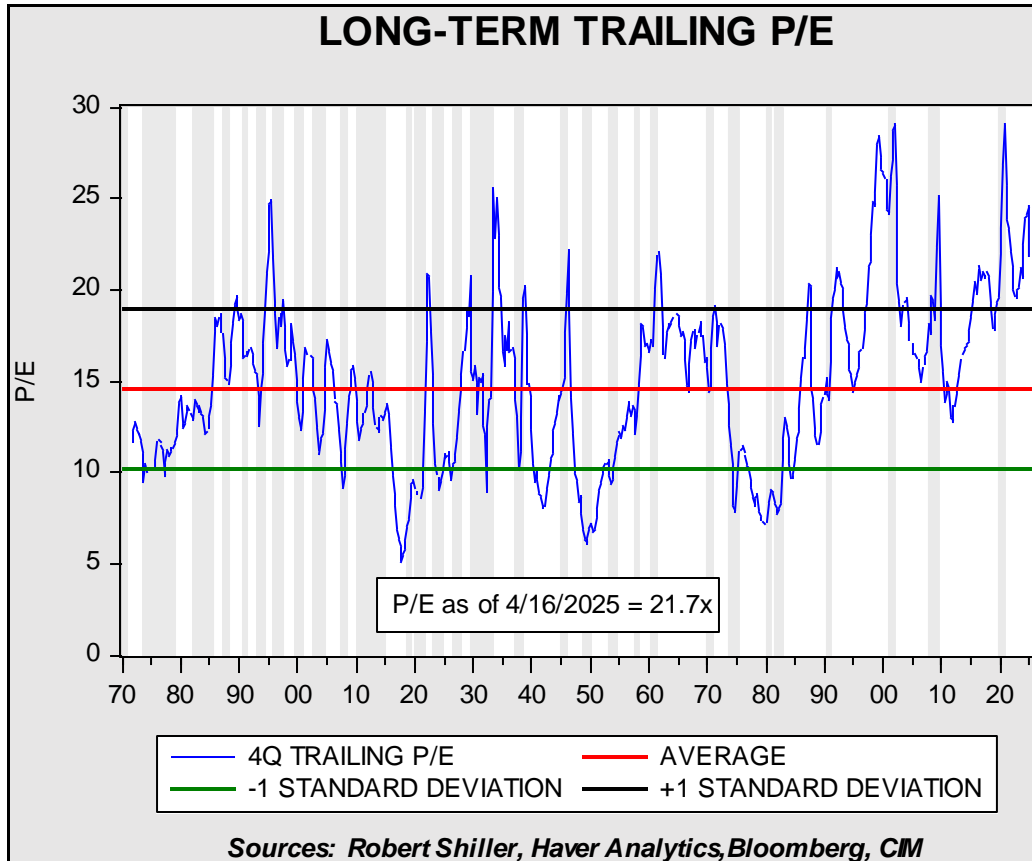


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

Asset classes are defined as follows: Large Cap (S&P 500 Index), Mid Cap (S&P 400 Index), Small Cap (Russell 2000 Index), Foreign Developed (MSCI EAFE (USD and local currency) Index), Real Estate (FTSE NAREIT Index), Emerging Markets (MSCI Emerging Markets (USD and local currency) Index), Cash (iShares Short Treasury Bond ETF), US Corporate Bond (iShares iBoxx \$ Investment Grade Corporate Bond ETF), US Government Bond (iShares 7-10 Year Treasury Bond ETF), US High Yield (iShares iBoxx \$ High Yield Corporate Bond ETF), Commodities (Bloomberg total return Commodity Index), Value (S&P 500 Value), Growth (S&P 500 Growth).

P/E Update

April 17, 2025



Based on our methodology,¹ the current P/E is 21.7x, unchanged from our last report. The stock price index and earnings were little changed from the previous week.

This report was prepared by Confluence Investment Management LLC and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change. This is not a solicitation or an offer to buy or sell any security.

¹ This chart offers a running snapshot of the S&P 500 P/E in a long-term historical context. We are using a specific measurement process, similar to *Value Line*, which combines earnings estimates and actual data. We use an adjusted operating earnings number going back to 1870 (we adjust as-reported earnings to operating earnings through a regression process until 1988), and actual operating earnings after 1988. For the current quarter, we use the Bloomberg estimates which are updated regularly throughout the quarter; currently, the four-quarter earnings sum includes three actual quarters (Q2, Q3, and Q4) and one estimate (Q1). We take the S&P average for the quarter and divide by the rolling four-quarter sum of earnings to calculate the P/E. This methodology isn't perfect (it will tend to inflate the P/E on a trailing basis and deflate it on a forward basis), but it will also smooth the data and avoid P/E volatility caused by unusual market activity (through the average price process). Why this process? Given the constraints of the long-term data series, this is the best way to create a long-term dataset for P/E ratios.